

LUCAS COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

## TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-12
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A    Statement of Net Assets	14-15
B    Statement of Activities	16
Governmental Fund Financial Statements:	
C    Balance Sheet	18-21
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	22
E    Statement of Revenues, Expenditures and Changes in Fund Balances	24-27
F    Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Fiduciary Fund Financial Statements:	
G    Statement of Fiduciary Assets and Liabilities – Agency Funds	29
Notes to Financial Statements	30-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	46
Budget to GAAP Reconciliation	47
Notes to Required Supplementary Information – Budgetary Reporting	48
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	50-51
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	52-53
Agency Funds:	
3    Combining Schedule of Fiduciary Assets and Liabilities	54-57
4    Combining Schedule of Changes in Fiduciary Assets and Liabilities	58-61
5    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	62
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	63-64
SCHEDULE OF FINDINGS	65-73

# LUCAS COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Clarence Gee	Board of Supervisors	Jan. 2005
Cathy Reece	Board of Supervisors	Jan. 2005
Larry Davis	Board of Supervisors	Jan. 2007
Julie Masters (Appointed)	County Auditor	Jan. 2005
Phyllis Baker	County Treasurer	Jan. 2007
Sheryl Pierce	County Recorder	Jan. 2007
Delbert Longley	County Sheriff	Jan. 2005
Paul Goldsmith	County Attorney	Jan. 2007
Tim McGee	County Assessor	Jan. 2010
(After January 2005)		
Clarence Gee	Board of Supervisors	Jan. 2009
Cathy Reece	Board of Supervisors	Jan. 2009
Larry Davis	Board of Supervisors	Jan. 2007
Julie Masters	County Auditor	Jan. 2009
Phyllis Baker	County Treasurer	Jan. 2007
Sheryl Pierce	County Recorder	Jan. 2007
Delbert Longley	County Sheriff	Jan. 2009
Paul Goldsmith	County Attorney	Jan. 2007
Tim McGee	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Lucas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County at June 30, 2005 and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2006 on our consideration of Lucas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Lucas County's basic financial statements. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) were audited by other auditors who expressed qualified opinions on those financial statements due to the omission of the materials and supplies inventories pertaining to the Secondary Roads Fund and for the effects of the omission of the general fixed assets account group for the two years ended June 30, 2003. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
February 23, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Lucas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- The County's Governmental funds revenues increased \$61,214 from fiscal year 2004 to 2005. Property and other county tax decreased \$128,564, intergovernmental revenues increased \$294,904 and charges for service and other miscellaneous revenues decreased by \$105,126.
- The County's Governmental funds expenditures increased approximately \$391,000 from fiscal 2004 to fiscal 2005. Public safety and legal services increased approximately \$76,000, County environment and education increased approximately \$43,000, Roads and Transportation increased approximately \$145,000 and Capital Projects increased approximately \$202,000. Some service areas saw decreases as well including Administration and Mental Health.
- The County's Governmental activities net assets increased \$12,463 from June 30, 2004 to June 30, 2005.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lucas County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lucas County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lucas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others, which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

	June 30	
	2004	2005
Current and other assets	\$6,540,623	\$6,550,935
Capital Assets	4,314,611	4,770,385
Total Assets	10,855,234	11,321,320
Long Term Liabilities	151,573	368,788
Other Liabilities	2,663,758	2,900,166
Total Liabilities	2,815,331	3,268,954
Net Assets:		
Invested in capital assets, net of related debt	4,314,611	4,662,888
Restricted	3,247,646	3,481,360
Unrestricted	477,646	(91,882)
Total Net Assets	8,039,903	8,052,366

Net assets of Lucas County's governmental activities increased by approximately 0.2% (\$8.0 million compared to \$8.1 million). The largest portion of the County's net assets is invested in capital assets, net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at (\$91,882) at June 30, 2005 due mostly to a negative fund balance in the General Basic Fund.



## Changes in Net Assets of Governmental Activities

Year ended June 30  
2004                      2005

Revenues:		
Program Revenues:		
Charges for service	\$556,563	\$493,193
Operating grants, contributions and restricted interest	2,145,412	2,045,118
Capital grants, contributions and restricted interest	1,088,104	905,943
General Revenues:		
Property tax	2,367,132	2,236,519
Penalty and interest on property tax	30,189	31,470
State tax credits	149,967	161,131
Grants and contributions not restricted to specific purpose	8,015	1,799
Unrestricted investment earnings	60,635	72,006
Other general revenues	21,142	48,554
Total Revenues	6,427,159	5,995,733
Program expenses		
Public Safety and Legal Services	801,097	848,484
Physical health and social services	483,082	471,386
Mental Health	767,410	700,595
County government and education	206,353	207,445
Roads and transportation	2,285,343	2,823,111
Government services to residents	167,085	215,070
Administration	472,720	715,305
Non-Program	286,494	0
Interest on long-term debt	1,510	1,874
Total Expenses	5,471,094	5,983,270
Change in Net Assets	956,065	12,463
Net assets beginning of year, as restated	7,083,838	8,039,903
Net Assets end of year	8,039,903	8,052,366

The County increased Property Tax Levy rates by \$2.99371 per \$1000.00 of valuation for FY2005. This increase, due to a decrease in taxable valuation of the county, was necessary to generate the money needed to maintain county services. Property tax revenue still decreased from 2004 by \$130,613.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$3.6 million, which is down slightly from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased \$126,106 over the prior year, mainly due to a decrease in property tax revenues and charges for service revenues. Expenditures increased due mainly to increases in public safety and legal service costs. The General Fund balance decreased \$276,644 from the prior year.
- Mental Health Fund revenues decreased \$32,082 from the prior year due to decreased taxable value with the same levy. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$716,400, a decrease of \$48,904 from the prior year. The Mental Health Fund balance at the end of the year decreased \$81,139 from the prior year.
- The Rural Services Fund showed a decrease in revenue. A decrease in property and other taxes collected was offset somewhat by an increase in intergovernmental revenues and charges for service making a decrease of \$39,125. Expenditures increased \$1,655 due to moving expenses from General Basic for Township officials. The Rural Services Fund balance decreased by \$83,665 from the prior year.
- Secondary Roads Fund revenues and expenditures increased comparatively for the year. Intergovernmental revenues increased as well as expenditures in roads and transportation. The ending fund balance showed an increase of \$152,560 from last year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Lucas County amended its budget 1 time. The amendment was necessary because Lucas County received capital project money to start on repairs to the Courthouse roof, to adjust for the purchase of new recycling equipment and to cover the cost of employee insurance. Disbursements exceeded the amount budgeted in the Public Safety and Legal Services function at year end due to increased housing costs for inmates.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, Lucas County had approximately \$4.7 million, net of depreciation, invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

### Capital Assets

	Balance June 30, 2004 As Restated	June 30, 2005
Governmental Activities		
Capital assets not being depreciated:		
Land	\$626,713	\$659,457
Construction in progress	309,202	100,350
Total Capital Assets not being depreciated	\$935,915	\$759,807
Capital Assets being depreciated:		
Buildings	479,705	479,705
Machinery and equipment	3,273,460	3,350,217
Infrastructure	1,629,733	2,540,488
Total Capital Assets being depreciated	5,382,898	6,370,410
Less accumulated depreciation for:		
Buildings	119,971	128,474
Machinery and equipment	1,664,597	1,764,940
Infrastructure	219,634	466,418
Total accumulated depreciation	2,004,202	2,359,832
Total Capital Assets being depreciated net	3,378,696	4,010,578
Governmental activities capital assets net	4,314,611	4,770,385

The County had depreciation expense of \$443,102 in FY 2005 and total accumulated depreciation of \$2,359,832 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 6 to the financial statement.

### Long-Term Liabilities

At June 30, 2005 Lucas County had \$143,788 in compensated absences as compared to approximately \$152,000 on June 30, 2004, and an increase of \$225,000 in General Obligation Notes with \$52,994 due within 1 year. The General Obligation Note was to pay a portion of the cost of making repairs to the Courthouse roof, installing handicapped accessible doors at the Courthouse and acquiring equipment for use at the courthouse. More detailed information can be found in Note 8 to the financial statement.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Lucas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. In an ongoing effort to maintain County services without raising tax levies, the Lucas County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances, and reduce funding to non-mandated programs to provide essential services for the citizens of Lucas County.

Budgeted disbursements in the FY 2006 operating budget are \$9,141,999, an increase of approximately 18% over the final FY2005 budget. Lucas County will spend down fund balances to finance programs currently offered due to the effect inflation has on program costs. Increases in costs related to Adult Correctional Services, insurance premiums, heating and electric costs and maintenance on building and contents were a large portion of the increased expenses. Lucas County has added no major programs to the FY 2006 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lucas County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lucas County Auditor's Office, 916 Braden Ave, Chariton, Iowa 50049.

## Basic Financial Statements

LUCAS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,376,031
Receivables:	
Property tax:	
Delinquent	7,810
Succeeding year	2,582,000
Interest and penalty on property tax	17,889
Accounts	425
Accrued interest	4,005
Due from other governments	322,033
Contract receivable (note 5)	25,797
Inventories	214,945
Capital assets, net of accumulated depreciation (note 6)	<u>4,770,385</u>
Total assets	<u>11,321,320</u>
Liabilities	
Accounts payable	176,012
Salaries and benefits payable	31,574
Due to other governments (note 7)	109,839
Accrued interest payable	741
Deferred revenue:	
Succeeding year property tax	2,582,000
Long-term liabilities (note 8):	
Portion due or payable within one year:	
General obligation notes	52,994
Compensated absences	143,788
Portion due or payable after one year:	
General obligation notes	<u>172,006</u>
Total liabilities	<u>3,268,954</u>

LUCAS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 4,662,888
Restricted for:	
Supplemental levy purposes	772,917
Mental health purposes	768,452
Rural services	89,695
Secondary roads	1,727,727
Debt service	9,641
Other special revenue purposes	112,928
Unrestricted	<u>(91,882)</u>
Total net assets	\$ <u><u>8,052,366</u></u>

See notes to financial statements.

LUCAS COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 848,484	\$ 71,695	\$ 4,427	\$ -	\$ (772,362)
Physical health and social services	471,386	47,655	66,386	-	(357,345)
Mental health	700,595	6,562	329,386	-	(364,647)
County environment and education	207,445	29,015	19,853	-	(158,577)
Roads and transportation	2,823,111	164,644	1,624,237	905,943	(128,287)
Government services to residents	215,070	166,286	409	-	(48,375)
Administration	715,305	7,336	-	-	(707,969)
Interest on long-term debt	1,874	-	420	-	(1,454)
Total	\$ 5,983,270	\$ 493,193	\$ 2,045,118	\$ 905,943	(2,539,016)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,194,871
Debt service					41,648
Penalty and interest on property tax					31,470
State tax credits					161,131
Grants and contributions not restricted to a specific purpose					1,799
Unrestricted investment earnings					72,006
Miscellaneous					48,554
Total general revenues					2,551,479
Change in net assets					12,463
Net assets beginning of year, as restated (note 14)					8,039,903
Net assets end of year					\$ 8,052,366

See notes to financial statements.



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LUCAS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 622,552	\$ 837,212	\$ 273,723	\$ 1,393,408
Receivables:				
Property tax:				
Delinquent	5,405	1,222	1,002	-
Succeeding year	1,524,000	314,000	686,000	-
Interest and penalty on property tax	17,889	-	-	-
Accounts	425	-	-	-
Accrued interest	3,917	-	-	-
Due from other funds (note 3)	-	3,124	-	-
Due from other governments	22,842	-	-	289,716
Contract receivable (note 5)	-	-	-	25,797
Inventories	-	-	-	214,945
Total assets	\$ <u>2,197,030</u>	\$ <u>1,155,558</u>	\$ <u>960,725</u>	\$ <u>1,923,866</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 249,136	\$ 3,376,031
181	7,810
58,000	2,582,000
-	17,889
-	425
88	4,005
-	3,124
9,475	322,033
-	25,797
-	214,945
<u>\$ 316,880</u>	<u>\$ 6,554,059</u>

LUCAS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 47,892	\$ 12,019	\$ 413	\$ 97,621
Salaries and benefits payable	9,984	433	2,081	19,076
Due to other funds (note 3)	3,124	-	-	-
Due to other governments (note 7)	49,077	59,801	961	-
Deferred revenue:				
Succeeding year property tax	1,524,000	314,000	686,000	-
Other	23,294	1,222	1,002	22,764
Total liabilities	<u>1,657,371</u>	<u>387,475</u>	<u>690,457</u>	<u>139,461</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	214,945
Supplemental levy purposes	598,934	-	179,705	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	(59,275)	-	-	-
Special revenue funds	-	768,083	90,563	1,569,460
Capital projects fund	-	-	-	-
Total fund balances	<u>539,659</u>	<u>768,083</u>	<u>270,268</u>	<u>1,784,405</u>
Total liabilities and fund balances	<u>\$ 2,197,030</u>	<u>\$ 1,155,558</u>	<u>\$ 960,725</u>	<u>\$ 1,923,866</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 18,067	\$ 176,012
-	31,574
-	3,124
-	109,839
58,000	2,582,000
181	48,463
<u>76,248</u>	<u>2,951,012</u>
-	214,945
-	778,639
10,201	10,201
-	(59,275)
112,928	2,541,034
117,503	117,503
<u>240,632</u>	<u>3,603,047</u>
<u>\$ 316,880</u>	<u>\$ 6,554,059</u>

## LUCAS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

Total fund balances of governmental funds	\$ 3,603,047
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$7,130,217 and the accumulated depreciation is \$2,359,832.	4,770,385
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	48,463
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(741)
Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(368,788)</u>
Net assets of governmental activities	<u><u>\$ 8,052,366</u></u>
See notes to financial statements.	

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LUCAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,231,765	\$ 278,416	\$ 686,008	\$ -
Interest and penalty on property tax	29,974	-	-	-
Intergovernmental	326,078	350,283	45,349	2,082,938
Licenses and permits	250	-	-	280
Charges for service	184,903	6,562	19,540	-
Use of money and property	71,806	-	-	530
Miscellaneous	33,656	-	-	142,364
Total revenues	1,878,432	635,261	750,897	2,226,112
Expenditures:				
Operating:				
Public safety and legal services	759,595	-	81,725	-
Physical health and social services	449,545	-	25,829	-
Mental health	-	716,400	-	-
County environment and education	134,667	-	39,837	-
Roads and transportation	-	-	167,961	2,075,256
Government services to residents	172,118	-	-	-
Administration	652,792	-	50,770	-
Debt service	-	-	-	-
Capital projects	-	-	-	466,540
Total expenditures	2,168,717	716,400	366,122	2,541,796
Excess (deficiency) of revenues over (under) expenditures	(290,285)	(81,139)	384,775	(315,684)
Other financing sources (uses):				
Interfund transfers in (note 4)	-	-	-	468,244
Interfund transfers out (note 4)	(31,359)	-	(468,440)	-
General obligation notes issued	45,000	-	-	-
Total other financing sources (uses)	13,641	-	(468,440)	468,244



Nonmajor Governmental			
Funds		Total	
\$	41,662	\$	2,237,851
	-		29,974
	20,724		2,825,372
	-		530
	30,206		241,211
	15,575		87,911
	2,056		178,076
	<u>110,223</u>		<u>5,600,925</u>
	9,041		850,361
	-		475,374
	-		716,400
	30,505		205,009
	-		2,243,217
	34,911		207,029
	-		703,562
	46,133		46,133
	<u>130,985</u>		<u>597,525</u>
	<u>251,575</u>		<u>6,044,610</u>
	<u>(141,352)</u>		<u>(443,685)</u>
	31,555		499,799
	-		(499,799)
	<u>225,000</u>		<u>270,000</u>
	<u>256,555</u>		<u>270,000</u>

LUCAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ (276,644)	\$ (81,139)	\$ (83,665)	\$ 152,560
Fund balances beginning of year	816,303	849,222	353,933	1,631,845
Fund balances end of year	\$ <u>539,659</u>	\$ <u>768,083</u>	\$ <u>270,268</u>	\$ <u>1,784,405</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total
\$	115,203	\$ (173,685)
	125,429	3,776,732
\$	240,632	\$ 3,603,047

## LUCAS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (173,685)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlays and  
depreciation expense in the current year are as follows:

	Capital outlays	\$ 452,398	
Capital assets contributed by the Iowa Department of Transportation	446,478		
Depreciation expense	<u>(443,102)</u>		455,774

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds.

	Property tax	164	
Other	<u>(51,834)</u>		(51,670)

Note proceeds provide current financial resources to governmental funds,  
but issuing debt increases liabilities in the statement of net assets. (270,000)

Repayment of note principal is an expenditure in the governmental funds,  
but the repayment reduces liabilities in the statement of net assets. 45,000

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in governmental funds, as follows:

	Compensated absences	7,785	
Interest on long-term debt	<u>(741)</u>		<u>7,044</u>

Change in net assets of governmental activities \$ 12,463

See notes to financial statements.

LUCAS COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2005

Assets	
Cash and pooled investments:	
County Treasurer	\$ 423,862
Other County officials	33,983
Receivables:	
Property tax:	
Delinquent	31,608
Succeeding year	5,720,000
Accounts	13,500
Accrued interest	<u>75</u>
Total assets	<u>6,223,028</u>
Liabilities	
Accounts payable	1,125
Salaries and benefits payable	208
Due to other governments (note 7)	6,167,095
Trusts payable	38,415
Compensated absences	<u>16,185</u>
Total liabilities	<u>6,223,028</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

## LUCAS COUNTY

### NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2005

#### Note 1. Summary of Significant Accounting Policies

Lucas County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Lucas County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. Lucas County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lucas County Assessor's Conference Board, Lucas County Emergency Management Commission and Lucas County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southeast Iowa Case Management, Chariton Valley Rural Economic Development Inc., Ten Fifteen Regional Transit Agency, Southeast Iowa Drug Task Force, Lucas County Law Enforcement Center, South Iowa Area Detention Service Agency, Lucas County Solid Waste Management Commission, South Central Iowa Solid Waste Agency and the Heartland Group.

#### B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.



LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	30,000
Equipment and vehicles	10,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# LUCAS COUNTY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety and legal services function and disbursements in one department exceeded the amount appropriated.

### Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,035,211 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

### Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Mental Health	General	\$ <u>3,124</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 31,359
	Special Revenue:	
	Rural Services	436,885
Landfill Equipment	Rural Services	<u>31,555</u>
		<u>\$ 499,799</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Contract Receivable – Secondary Roads

As of June 30, 2005, the County has a long-term interest-free contract receivable from the City of Russell for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Russell</u>
2006	\$ 3,033
2007	3,033
2008	3,033
2009	3,033
2010	3,033
2011	3,033
2012	3,033
2013	3,033
2014	<u>1,533</u>
	<u>\$ 25,797</u>

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 6. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year as Restated (note 14)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 626,713	\$ 32,744	\$ -	\$ 659,457
Construction in progress	309,202	100,350	309,202	100,350
Total capital assets not being depreciated	<u>935,915</u>	<u>133,094</u>	<u>309,202</u>	<u>759,807</u>
Capital assets being depreciated:				
Buildings	479,705	-	-	479,705
Machinery and equipment	3,273,460	164,229	87,472	3,350,217
Infrastructure	1,629,733	910,755	-	2,540,488
Total capital assets being depreciated	<u>5,382,898</u>	<u>1,074,984</u>	<u>87,472</u>	<u>6,370,410</u>
Less accumulated depreciation for:				
Buildings	119,971	8,503	-	128,474
Machinery and equipment	1,664,597	187,815	87,472	1,764,940
Infrastructure	219,634	246,784	-	466,418
Total accumulated depreciation	<u>2,004,202</u>	<u>443,102</u>	<u>87,472</u>	<u>2,359,832</u>
Total capital assets being depreciated, net	<u>3,378,696</u>	<u>631,882</u>	<u>-</u>	<u>4,010,578</u>
Governmental activities capital assets, net	<u>\$ 4,314,611</u>	<u>\$ 764,976</u>	<u>\$ 309,202</u>	<u>\$ 4,770,385</u>

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 6. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 21,010
Mental health	1,395
County environment and education	9,407
Roads and transportation	399,515
Government services to residents	7,676
Administration	<u>4,099</u>
Total depreciation expense - governmental activities	<u>\$ 443,102</u>

Note 7. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ <u>49,077</u>	\$ -	\$ <u>49,077</u>
Special Revenue:				
Mental Health	Services	59,801	-	59,801
Rural Services	Services	<u>961</u>	-	<u>961</u>
		<u>60,762</u>	-	<u>60,762</u>
Total for governmental funds		<u>\$ 109,839</u>	<u>\$ -</u>	<u>\$ 109,839</u>
Agency:				
County Assessor	Collections	\$ 49,989	\$ 127,484	\$ 177,473
Schools		88,153	3,360,188	3,448,341
Community Colleges		4,151	165,721	169,872
Corporations		27,901	1,340,080	1,367,981
County Hospital		15,470	585,717	601,187
Auto License and Use Tax		151,814	-	151,814
All Other		<u>78,009</u>	<u>172,418</u>	<u>250,427</u>
Total for agency funds		<u>\$ 415,487</u>	<u>\$ 5,751,608</u>	<u>\$ 6,167,095</u>

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Notes	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 151,573	\$ 151,573
Increases	225,000	143,788	368,788
Decreases	-	151,573	151,573
Balance end of year	<u>\$ 225,000</u>	<u>\$ 143,788</u>	<u>\$ 368,788</u>
Due within one year	<u>\$ 52,994</u>	<u>\$ 143,788</u>	<u>\$ 196,782</u>

General Obligation Notes Payable

During the year ended June 30, 2005, the County issued general obligation notes to pay a portion of the cost of making repairs to the Courthouse roof, installing handicapped accessible doors at the Courthouse and acquiring equipment for use at the Courthouse.

A summary of the County's June 30, 2005, general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	3.95 %	\$ 52,994	\$ 8,369	\$ 61,363
2007	3.95	55,108	6,255	61,363
2008	3.95	57,306	4,057	61,363
2009	3.95	59,592	1,771	61,363
Total		<u>\$ 225,000</u>	<u>\$ 20,452</u>	<u>\$ 245,452</u>

Note 9. Short-Term Debt Activity

During the year ended June 30, 2005, the County entered into a short-term loan from the General Supplemental Fund to the General Basic Fund. The loan was necessary to provide temporary financing during a period of low cash flows. The County also issued short-term general obligation notes. The notes were used to pay the costs of acquiring County Sheriff patrol cars and construction of an exercise area at the law enforcement center. The notes included interest at 3.9%.



# LUCAS COUNTY

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

### Note 9. Short-Term Debt Activity (continued)

A summary of the short-term debt activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Received	Repaid	Balance End of Year
Interfund loan	\$ -	\$ 200,000	\$ 200,000	\$ -
General obligation note	-	45,000	45,000	-
	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ -</u>

### Note 10. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$123,806, \$121,722 and \$118,089, respectively, equal to the required contributions for each year.

### Note 11. Risk Management

Lucas County is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 12. Construction Commitment

The County has entered into contracts totaling \$583,992 for bridge construction and Courthouse roof repairs. As of June 30, 2005, costs of \$100,350 have been incurred against the contracts. The balance remaining at June 30, 2005 of \$483,642 will be paid as work on the projects progresses.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 13. Contingent Liabilities

South Central Iowa Solid Waste Agency

Lucas County participates in the South Central Iowa Solid Waste Agency under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Agency in accordance with Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation is \$13,048.

In the event the South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance within 90 days of intent to cancel, Lucas County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance of \$13,048.

Detention Service Capital Loan Notes

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. On May 1, 1991 SIADSA issued \$2,300,000 in capital loan note certificates for construction of the detention center facilities and purchase of equipment. Each member county authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. Each member county consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledging the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year.

Although Lucas County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable in the event SIADSA cannot satisfy its debt obligation. During the year ended June 30, 2005, the County was required to make a principal and interest payment of \$16,871 on the SIADSA capital loan note.

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

Note 14. Restatement of Beginning Balances

The following beginning balances have been restated to properly reflect the capital assets and accumulated depreciation of infrastructure as of July 1, 2004.

	<u>Capital Assets - Infrastructure</u>	<u>Accumulated Depreciation - Infrastructure</u>	<u>Governmental Activities Net Assets</u>
Balance, as previously reported	\$ 732,079	\$ 61,006	\$ 7,300,877
Adjustments:			
Capital assets	<u>897,654</u>	<u>158,628</u>	<u>739,026</u>
Balance, as restated	<u>\$ 1,629,733</u>	<u>\$ 219,634</u>	<u>\$ 8,039,903</u>

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## Required Supplementary Information

# LUCAS COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2005

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 2,237,893	\$ 2,332,105	\$ 2,332,105	\$ (94,212)
Interest and penalty on property tax	30,048	13,600	13,600	16,448
Intergovernmental	2,704,460	2,852,169	2,852,169	(147,709)
Licenses and permits	480	450	450	30
Charges for service	246,239	371,031	371,031	(124,792)
Use of money and property	88,562	80,600	80,600	7,962
Miscellaneous	192,118	22,100	22,100	170,018
Total receipts	<u>5,499,800</u>	<u>5,672,055</u>	<u>5,672,055</u>	<u>(172,255)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	856,573	845,640	845,640	(10,933)
Physical health and social services	465,852	602,692	602,692	136,840
Mental health	709,649	1,064,815	1,064,815	355,166
County environment and education	202,466	217,268	244,323	41,857
Roads and transportation	2,306,994	2,517,474	2,517,474	210,480
Government services to residents	192,126	219,819	219,819	27,693
Administration	673,445	755,191	765,191	91,746
Debt service	46,133	46,311	46,311	178
Capital projects	596,339	1,224,000	1,449,000	852,661
Total disbursements	<u>6,049,577</u>	<u>7,493,210</u>	<u>7,755,265</u>	<u>1,705,688</u>
Excess (deficiency) of receipts over (under) disbursements	(549,777)	(1,821,155)	(2,083,210)	1,533,433
Other financing sources, net	<u>270,000</u>	<u>46,500</u>	<u>271,500</u>	<u>(1,500)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(279,777)	(1,774,655)	(1,811,710)	1,531,933
Balance beginning of year, as restated	<u>3,655,808</u>	<u>2,373,763</u>	<u>2,373,763</u>	<u>1,282,045</u>
Balance end of year	<u>\$ 3,376,031</u>	<u>\$ 599,108</u>	<u>\$ 562,053</u>	<u>\$ 2,813,978</u>

See accompanying independent auditor's report.

# LUCAS COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,499,800	\$ 101,125	\$ 5,600,925
Expenditures	6,049,577	(4,967)	6,044,610
Net	(549,777)	106,092	(443,685)
Other financing sources	270,000	-	270,000
Beginning fund balances	3,655,808	120,924	3,776,732
Ending fund balances	<u>\$ 3,376,031</u>	<u>\$ 227,016</u>	<u>\$ 3,603,047</u>

See accompanying independent auditor's report.

## LUCAS COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$262,055. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety and legal services function and disbursements in one department exceeded the amount appropriated.



## Other Supplementary Information

LUCAS COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 22,222	\$ 17,601	\$ 16,927	\$ 55,280
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	14	37	37	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 22,236</u>	<u>\$ 17,638</u>	<u>\$ 16,964</u>	<u>\$ 55,280</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 15,285	\$ 549	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>15,285</u>	<u>549</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	22,236	2,353	16,415	55,280
Total fund equity	<u>22,236</u>	<u>2,353</u>	<u>16,415</u>	<u>55,280</u>
Total liabilities and fund equity	<u>\$ 22,236</u>	<u>\$ 17,638</u>	<u>\$ 16,964</u>	<u>\$ 55,280</u>

See accompanying independent auditor's report.

<u>Prisoner Reimbursement</u>	<u>Construction Donation</u>	<u>Landfill Equipment</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 6,153	\$ 2,199	\$ 1,050	\$ 10,201	\$ 117,503	\$ 249,136
-	-	-	181	-	181
-	-	-	58,000	-	58,000
-	-	-	-	-	88
-	-	9,475	-	-	9,475
<u>\$ 6,153</u>	<u>\$ 2,199</u>	<u>\$ 10,525</u>	<u>\$ 68,382</u>	<u>\$ 117,503</u>	<u>\$ 316,880</u>
\$ 2,233	\$ -	\$ -	\$ -	\$ -	\$ 18,067
-	-	-	58,000	-	58,000
-	-	-	181	-	181
<u>2,233</u>	<u>-</u>	<u>-</u>	<u>58,181</u>	<u>-</u>	<u>76,248</u>
-	-	-	10,201	-	10,201
<u>3,920</u>	<u>2,199</u>	<u>10,525</u>	<u>-</u>	<u>117,503</u>	<u>230,431</u>
<u>3,920</u>	<u>2,199</u>	<u>10,525</u>	<u>10,201</u>	<u>117,503</u>	<u>240,632</u>
<u>\$ 6,153</u>	<u>\$ 2,199</u>	<u>\$ 10,525</u>	<u>\$ 68,382</u>	<u>\$ 117,503</u>	<u>\$ 316,880</u>

LUCAS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	17,618	-
Charges for service	2,396	14,204	-	-
Use of money and property	70	339	180	14,566
Miscellaneous	-	-	-	2,056
Total revenues	<u>2,466</u>	<u>14,543</u>	<u>17,798</u>	<u>16,622</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Government services to residents	-	34,911	-	-
Debt service	-	-	-	-
Capital projects	-	-	10,461	13,027
Total expenditures	<u>-</u>	<u>34,911</u>	<u>10,461</u>	<u>13,027</u>
Excess (deficiency) of revenues over (under) expenditures	2,466	(20,368)	7,337	3,595
Other financing sources:				
Interfund transfers in	-	-	-	-
General obligation notes issued	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,466	(20,368)	7,337	3,595
Fund balances beginning of year	<u>19,770</u>	<u>22,721</u>	<u>9,078</u>	<u>51,685</u>
Fund balances end of year	<u>\$ 22,236</u>	<u>\$ 2,353</u>	<u>\$ 16,415</u>	<u>\$ 55,280</u>

See accompanying independent auditor's report.

<u>Prisoner Reimbursement</u>	<u>Construction Donation</u>	<u>Landfill Equipment</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 41,662	\$ -	\$ 41,662
-	-	-	3,106	-	20,724
4,131	-	9,475	-	-	30,206
-	-	-	420	-	15,575
-	-	-	-	-	2,056
<u>4,131</u>	<u>-</u>	<u>9,475</u>	<u>45,188</u>	<u>-</u>	<u>110,223</u>
9,041	-	-	-	-	9,041
-	-	30,505	-	-	30,505
-	-	-	-	-	34,911
-	-	-	46,133	-	46,133
-	-	-	-	107,497	130,985
<u>9,041</u>	<u>-</u>	<u>30,505</u>	<u>46,133</u>	<u>107,497</u>	<u>251,575</u>
(4,910)	-	(21,030)	(945)	(107,497)	(141,352)
-	-	31,555	-	-	31,555
-	-	-	-	225,000	225,000
<u>-</u>	<u>-</u>	<u>31,555</u>	<u>-</u>	<u>225,000</u>	<u>256,555</u>
(4,910)	-	10,525	(945)	117,503	115,203
<u>8,830</u>	<u>2,199</u>	<u>-</u>	<u>11,146</u>	<u>-</u>	<u>125,429</u>
<u>\$ 3,920</u>	<u>\$ 2,199</u>	<u>\$ 10,525</u>	<u>\$ 10,201</u>	<u>\$ 117,503</u>	<u>\$ 240,632</u>

LUCAS COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2005

	County Offices		Agricultural	County
	County	Public	Extension	Assessor
	Sheriff	Health	Education	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 1,134	\$ 66,597
Other County officials	17,744	16,239	-	-
Receivables:				
Property tax:				
Delinquent	-	-	199	484
Succeeding year	-	-	45,000	127,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	\$ <u>17,744</u>	\$ <u>16,239</u>	\$ <u>46,333</u>	\$ <u>194,081</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 215
Salaries and benefits payable	-	-	-	208
Due to other governments	-	-	46,333	177,473
Trusts payable	17,744	16,239	-	-
Compensated absences	-	-	-	16,185
Total liabilities	\$ <u>17,744</u>	\$ <u>16,239</u>	\$ <u>46,333</u>	\$ <u>194,081</u>

<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>
\$ 88,153	\$ 4,151	\$ 27,901	\$ 5,343	\$ 15,470	\$ 57	\$ 151,814
-	-	-	-	-	-	-
15,188	721	12,080	215	2,717	4	-
3,345,000	165,000	1,328,000	126,000	583,000	1,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,448,341</u>	<u>\$ 169,872</u>	<u>\$ 1,367,981</u>	<u>\$ 131,558</u>	<u>\$ 601,187</u>	<u>\$ 1,061</u>	<u>\$ 151,814</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-
3,448,341	169,872	1,367,981	131,558	601,187	1,061	151,814
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,448,341</u>	<u>\$ 169,872</u>	<u>\$ 1,367,981</u>	<u>\$ 131,558</u>	<u>\$ 601,187</u>	<u>\$ 1,061</u>	<u>\$ 151,814</u>

LUCAS COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2005

	Anatomical Gift, Public Awareness and <u>Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>	<u>Special Assessments</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 5	\$ 57,333	\$ 1,265	\$ 20
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	13,500	-	-
Accrued interest	-	75	-	-
	<hr/>			
Total assets	\$ <u>5</u>	\$ <u>70,908</u>	\$ <u>1,265</u>	\$ <u>20</u>
LIABILITIES				
Accounts payable	\$ -	\$ 910	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	5	69,998	1,265	20
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	\$ <u>5</u>	\$ <u>70,908</u>	\$ <u>1,265</u>	\$ <u>20</u>

See accompanying independent auditor's report.



<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 4,323	\$ 109	\$ 187	\$ 423,862
-	-	-	33,983
-	-	-	31,608
-	-	-	5,720,000
-	-	-	13,500
-	-	-	75
<u>\$ 4,323</u>	<u>\$ 109</u>	<u>\$ 187</u>	<u>\$ 6,223,028</u>
\$ -	\$ -	\$ -	1,125
-	-	-	208
-	-	187	6,167,095
4,323	109	-	38,415
-	-	-	16,185
<u>\$ 4,323</u>	<u>\$ 109</u>	<u>\$ 187</u>	<u>\$ 6,223,028</u>

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2005

	County Offices			Agricultural
	County Recorder	County Sheriff	Public Health	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ -	\$ 15,908	\$ 12,606	\$ 51,141
Additions:				
Property and other County tax	-	-	-	40,360
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	3,367
Payments in lieu of taxes	-	-	-	39
Office fees and collections	141,984	33,275	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	99,526	9,243	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	141,984	132,801	9,243	43,766
Deductions:				
Agency remittances:				
To other funds	141,984	33,275	-	-
To other governments	-	344	-	48,574
Trusts paid out	-	97,346	5,610	-
Total deductions	141,984	130,965	5,610	48,574
Balances end of year	\$ -	\$ 17,744	\$ 16,239	\$ 46,333

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>198,592</u>	\$ <u>3,962,844</u>	\$ <u>188,274</u>	\$ <u>1,514,423</u>	\$ <u>135,732</u>	\$ <u>699,888</u>	\$ <u>1,046</u>
115,278	2,972,044	147,027	1,171,566	114,440	517,175	891
-	-	-	-	-	-	-
8,185	261,079	12,467	112,200	8,476	45,947	66
94	3,282	-	-	265	530	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
500	-	-	-	1,945	-	-
<u>124,057</u>	<u>3,236,405</u>	<u>159,494</u>	<u>1,283,766</u>	<u>125,126</u>	<u>563,652</u>	<u>958</u>
-	-	-	-	-	-	-
128,568	3,750,908	177,896	1,430,208	129,300	662,353	943
-	-	-	-	-	-	-
<u>128,568</u>	<u>3,750,908</u>	<u>177,896</u>	<u>1,430,208</u>	<u>129,300</u>	<u>662,353</u>	<u>943</u>
\$ <u><u>194,081</u></u>	\$ <u><u>3,448,341</u></u>	\$ <u><u>169,872</u></u>	\$ <u><u>1,367,981</u></u>	\$ <u><u>131,558</u></u>	\$ <u><u>601,187</u></u>	\$ <u><u>1,061</u></u>

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2005

	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	E-911	Emergency Management
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year, as restated	\$ <u>173,755</u>	\$ <u>56</u>	\$ <u>64,863</u>	\$ <u>1,265</u>
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	54,804	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,926,532	-	-	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	90	5,331	11,264
Total additions	<u>1,926,532</u>	<u>90</u>	<u>60,135</u>	<u>11,264</u>
Deductions:				
Agency remittances:				
To other funds	94,618	-	-	-
To other governments	1,853,855	141	54,090	11,264
Trusts paid out	-	-	-	-
Total deductions	<u>1,948,473</u>	<u>141</u>	<u>54,090</u>	<u>11,264</u>
Balances end of year	\$ <u><u>151,814</u></u>	\$ <u><u>5</u></u>	\$ <u><u>70,908</u></u>	\$ <u><u>1,265</u></u>

See accompanying independent auditor's report.

<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 6,374	\$ -	\$ 1,120	\$ 7,027,887
-	-	-	-	5,078,781
-	-	-	-	54,804
-	-	-	-	451,787
-	-	-	-	4,211
-	-	-	2,420	177,679
-	-	-	-	1,926,532
-	-	-	-	108,769
18,556	-	150,088	-	168,644
-	-	-	5	19,135
18,556	-	150,088	2,425	7,990,342
-	-	-	-	269,877
18,536	-	-	3,358	8,270,338
-	2,051	149,979	-	254,986
18,536	2,051	149,979	3,358	8,795,201
\$ 20	\$ 4,323	\$ 109	\$ 187	\$ 6,223,028

## LUCAS COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 2,237,851	\$ 2,366,415	\$ 2,412,793	\$ 2,324,230
Interest and penalty on property tax	29,974	29,919	33,861	33,232
Intergovernmental	2,825,372	2,530,468	3,098,559	2,721,389
Licenses and permits	530	545	685	400
Charges for service	241,211	321,157	336,046	330,439
Use of money and property	87,911	75,948	81,169	137,384
Miscellaneous	178,076	215,259	77,085	52,708
Total	<u>\$ 5,600,925</u>	<u>\$ 5,539,711</u>	<u>\$ 6,040,198</u>	<u>\$ 5,599,782</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 850,361	\$ 774,397	\$ 725,331	\$ 694,352
Physical health and social services	475,374	479,713	461,666	413,188
Mental health	716,400	765,304	756,214	765,012
County environment and education	205,009	162,308	197,762	166,902
Roads and transportation	2,243,217	2,097,929	2,175,662	2,166,227
Government services to residents	207,029	160,878	158,622	147,472
Administration	703,562	768,729	655,154	601,065
Debt service	46,133	48,760	105,473	156,306
Capital projects	597,525	395,915	656,048	311,569
Total	<u>\$ 6,044,610</u>	<u>\$ 5,653,933</u>	<u>\$ 5,891,932</u>	<u>\$ 5,422,093</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Lucas County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lucas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lucas County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-G-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lucas County and other parties to whom Lucas County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lucas County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
February 23, 2006



LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Ag Extension, Recorder, Sheriff
(2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts.	Ag Extension, Recorder, Sheriff, Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Recorder, Sheriff
(4) The individual performing bank reconciliations also signs checks and handles and records cash. Bank reconciliations are not reviewed by an independent person with no responsibility for receipts and disbursements.	Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-05 Segregation of Duties (continued)

Responses –

County Ag Extension – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

County Recorder – With only two people in the office at times, it's difficult to share obligations. I'll continue to strive towards that direction.

County Sheriff – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

County Treasurer – In the future, I will have a member of my staff review, if not perform, the bank reconciliations for our different accounts. The bank reconciliations will be reviewed by the Board of Supervisors and they will sign off on this.

Conclusion – Responses accepted.

I-B-05 County Auditor – A separate bank account is maintained for the remaining balance of the self-funded group health program that has been discontinued. The balance in the bank account totaled \$8,489 at June 30, 2005. There was \$50 of expenditures out of this account this year which did not flow through the normal claim and budget process.

Recommendation – The remaining funds in the Lucas County Employee Group Health account should be remitted to the County Treasurer and allocated to the applicable funds based on the percentage those funds had paid premiums into the account originally. Expenditures should then be presented to the County Board of Supervisors for approval and charged against the budget under the normal claims procedure process.

Response – We will discuss what we want to do about this account. It may stay the same for now depending on a decision for the use of the money.

Conclusion – Response acknowledged, however, we feel the remaining funds should be remitted to the County Treasurer as noted in our recommendation.

I-C-05 Sheriff's Commissary Account – A separate bank account is maintained for the jail commissary. Jail commissary account profits are accumulating in the commissary account and have not been remitted to the County Treasurer. Also, expenditures other than those for commissary resale items were paid from this account and not charged against the budget.

Recommendation – Jail commissary profits should be remitted to the County Treasurer and recorded in a Special Revenue Fund. Expenditures from these profits should be through the normal claims process, approved by the County Board of Supervisors and charged against the commissary budget.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-C-05 Sheriff's Commissary Account (continued)

Response - The jail commissary account is used to purchase games, televisions, and items for the inmates as well as other commissary items. These items should not have to be paid for through taxpayers' money. Inmates tend to break these items, and they should have to replace them.

Conclusion – Response acknowledged. The commissary fund can be set up as its own budget and Special Revenue Fund. Taxpayer money and the Sheriff's normal operating budget would not be involved. Jail commissary profits should be remitted to the County Treasurer and expenditures other than those for commissary resale items should be presented to the County Board of Supervisors for approval and charged against the commissary budget just like any other County claim. This provides an added safeguard over the control of the asset. Some profits can be left in the account at the Sheriff's office for cash flow purposes to buy resale items for inmates.

I-D-05 Sheriff's Forfeiture Account – A separate bank account is maintained for the collection and expenditure of forfeiture monies. Forfeiture monies have been accumulating in this account and have not been remitted to the County Treasurer. Also, expenditures for towing and supplies were paid from this account and not charged against the budget.

Recommendation – The forfeited funds activity should be included in the County's annual budget and financial statements. Proceeds are accepted by the County with the understanding they are not to replace those already budgeted. The receipt and disbursement of proceeds of this type may require a budget amendment before the end of the fiscal year. All proceeds should be remitted to the County Treasurer and disbursements should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Response – We will continue to keep this account as we have in the past. This money belongs to the State of Iowa, and must be approved by the State before any of it is spent.

Conclusion – Response acknowledged. Forfeiture funds should be remitted to the County Treasurer and expenditures presented to the County Board of Supervisors for approval and charged against the budget. Forfeiture funds may be placed in a Special Revenue Fund to account for the proceeds of these specific revenue sources if legally restricted to expenditures for specified purposes. The County should consult legal counsel to determine the disposition of this matter.

I-E-05 Sheriff's Office Fee Account – A separate bank account is maintained for the collection and expenditure of office fees. Expenditures and reimbursements for car insurance were paid through this account and not charged against the budget.

Recommendation – Expenditures and reimbursements for car insurance should be recorded in the County's accounting system and charged against the budget.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-E-05 Sheriff's Office Fee Account (continued)

Response – The reason that the car insurance was paid out of this account is because we paid the bills out of the budget and were refunded by the vendors. This money cannot go back into the budget, therefore, we pay directly to the vendor on the next bill.

Conclusion – Response acknowledged. Expenditures and vendor reimbursements should run through the County's records. Vendor refunds should be remitted to the County Treasurer and, if necessary, the budget should be amended to allow for disbursements of the refunds.

I-F-05 Capital Assets – A lack of segregation of duties exists in recording and reconciling capital assets. Independent personnel do not reconcile significant assets with the accounting records. Periodic comparisons are not made of amounts recorded in the accounting system with the physical assets. Capital assets are not tested periodically by an individual with no responsibility for capital assets. Depreciation calculations are not reviewed to ensure accuracy.

Recommendation – The Board of Supervisors should develop a written policy for capital assets. The policy should include, but not be limited to, responsibilities for custody and safekeeping of assets, periodic comparisons of capital asset records with the physical assets and review of depreciation calculations.

Response – We will look into setting up a policy and appointing an individual to oversee this situation.

Conclusion – Response accepted.

I-G-05 Public Health Department Receivables – Accounts receivable reconciliations were not prepared and detail listings of receivables were not generated at the end of each month. Also, the Department did not submit any billings for Medicaid or Medicare reimbursements during FY 04 and FY 05 since the cost reports were not submitted to the appropriate entities as required.

Recommendation – A reconciliation of billings, collections and accounts receivable should be prepared and accounts receivable listings should be generated at the end of each month. Amounts for Medicaid and Medicare should be billed timely, and cost reports should be submitted to the appropriate entities as required.

Response – Every attempt will be made to develop an accounts receivable log with an accounts receivable listing generated at the end of each month. Attempts will be made to file a cost analysis as required, with billings to Medicare and Medicaid submitted in a timely fashion. We will attempt to keep an electronic log and/or paper log of monthly billings to Medicare and Medicaid.

Conclusion – Response accepted.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-H-05 Public Health Department Mental Health Billings – The Mental Health Fund inappropriately paid \$3,124 to the Public Health Department during FY 04. This payment included charges for inappropriate clientele (NEST patients).

Recommendation – Services provided to NEST clients are not proper uses of mental health funding. The General Fund should reimburse the Mental Health Fund \$3,124.

Response – We agree the services provided to NEST clients are not allowable and \$3,124 should be repaid by the General Fund to the Mental Health Fund by use of a corrective Auditor's transfer in FY 06.

Conclusion – Response accepted.

- I-I-05 Disaster Recovery Plan – The County does not have a written disaster recovery plan and does not require back-up tapes to be stored off site in a fire proof vault or safe.

Recommendation – A written disaster recovery plan should be developed and back-up tapes should be stored off site in a fire proof vault or safe.

Response – We will work on a written disaster recovery plan.

Conclusion – Response accepted.

- I-J-05 Disbursements – Out of forty disbursements tested, three were not supported by an invoice or receipt. One of the disbursements was paid from a credit card statement with no supporting receipt and one was paid pursuant to an oral agreement. In addition, one disbursement was only partially supported by an invoice.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Responses –

County Attorney – We have an agreement between myself as County Attorney and the Board of Supervisors concerning the cost of operating the County Attorney's office. I operate the office and am responsible for all expenses of the office based upon two line items in my budget that cover secretarial expense and all other office expenses. The County reimburses me monthly based on the two budget line items. The agreement was reached to set a fair and reasonable amount that the Board believes is appropriate to operate the County Attorney's office.

County Auditor – We will make sure that all future disbursements are properly supported by an invoice or receipt.

Conclusion – Responses accepted.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-05    Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amount stated in the resolution for Great Western Bank was exceeded during the year ended June 30, 2005.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved banks should be adopted.

Response – This was due to a mistake on the depository limit resolution for a bank's name change. We approved a new depository limit resolution in January 2006.

Conclusion – Response accepted.

- II-B-05    Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the public safety and legal services function. Also, disbursements in the law enforcement center and Sheriff department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-C-05    Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-D-05    Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-E-05    Business Transactions – No business transactions between the County and County officials or employees were noted.

- II-F-05    Bond Coverage – Surety bond coverage of the County Treasurer did not meet the \$50,000 minimum required by Chapter 64.10 of the Code of Iowa.

Recommendation – The County should increase the surety bond coverage of the County Treasurer to \$50,000 to comply with Chapter 64.10 of the Code of Iowa.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-F-05     Bond Coverage (continued)

Response – We will increase the surety bond coverage of the County Treasurer to the required minimum amount.

Conclusion – Response accepted.

II-G-05     Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-05     Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

II-I-05     Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-05     County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that the minutes of one meeting of the Extension Council were not properly signed as required by Chapter 176A.14(3) of the Code of Iowa. We also noted that two batches of checks were not approved by the Extension Council. In addition, we noted that the year end deposits-in-transit were not deposited until fifteen to twenty-one days after year end.

Recommendation – All Extension Council minutes should be properly signed. All checks issued should be approved by the Extension Council. All receipts should be deposited as soon as possible to safeguard the asset. Deposits should be made weekly at a minimum.

Response – We will make sure that all minutes are properly signed and that all receipts are deposited timely. The two check batches were included in the actual bill list but just typed wrong in the minutes. We will make sure that the bill list and minutes match in the future.

Conclusion – Response accepted.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-K-05    Assessor Review Board – We noted that the minutes for one meeting of the Assessor’s review board were not properly signed.

Recommendation – All Board minutes should be properly signed.

Response – This was an oversight for this meeting. We will properly sign all minutes in the future.

Conclusion – Response accepted.

- II-L-05    Codification of Ordinances – The County has not compiled a code of ordinances containing all of the County ordinances at least once every five years as required by Chapter 331.302(9) of the Code of Iowa.

Recommendation – The County should compile a code of ordinances containing all of the County ordinances at least once every five years.

Response – We will compile a code of ordinances.

Conclusion – Response accepted.

- II-M-05    Interest Revenue – The County recorded the interest earned on the transfer of jurisdiction funds in the Special Revenue, Secondary Roads Fund. In accordance with an Attorney General’s opinion dated November 24, 2003, interest on the transfer of jurisdiction funds should be recorded in the General Fund.

Recommendation – Interest earned on the transfer of jurisdiction funds should be recorded in the General Fund, not in the Secondary Roads Fund.

Response – We will properly record the interest in the General Fund.

Conclusion – Response accepted.

- II-N-05    Credit Cards – The County has credit cards for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should prepare and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.



LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-O-05    Vehicle Usage – The County provides vehicles for certain County employees but does not have a policy regarding vehicle usage.

Recommendation – The County should adopt a vehicle usage policy which addresses the following areas:

- 1) Incidental personal use
- 2) Commuting
- 3) Assignment of vehicles
- 4) Documentation required
- 5) Restricted vehicle use
- 6) Reimbursement by employees for personal use
- 7) Additional compensation for employees
- 8) Public purpose served
- 9) Any other relevant areas

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

- II-P-05    Financial Condition – At June 30, 2005, the General Fund had a negative unreserved, undesignated fund balance of \$59,275.

Recommendation – The County needs to explore alternatives to restore the General Fund to a sound financial condition.

Response – We will investigate alternatives to eliminate this deficit.

Conclusion – Response accepted.

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